



***Program Compliance Office
California Student Opportunity & Access Program
Review Report***

2001/02 Award Year

**Central Coast Consortium
Program Review ID#60300200015**

**800 South College Drive
Santa Maria, CA 93454-6399**

Program Review Date:	March 31, 2003 - April 3, 2003
Auditors:	Anadelia Marquez (916) 526-8035 Nati DeGroot (916) 526-6413
Report Approved by:	Charles Wood, Manager Program Compliance Office (916) 526-8912

TABLE OF CONTENTS

	<u>Page Number</u>
AUDITOR'S REPORT	
SUMMARY.....	3
BACKGROUND	3
OBJECTIVES, SCOPE AND METHODOLOGY	5
CONCLUSION	6
VIEWS OF RESPONSIBLE OFFICIALS.....	6
FINDINGS AND REQUIRED ACTIONS	7
OBSERVATION AND RECOMMENDATION	34
ATTACHMENT A - STUDENT SAMPLE	36

AUDITOR'S REPORT

SUMMARY

We reviewed Central Coast Consortium's administration of California Student Aid Commission (Commission) California Student Opportunity & Access Program (Cal-SOAP) for the 2001-02 award year.

The Consortium's records disclosed the following:

- Cal-SOAP executive committee is governing the Consortium.
- Consortium board meeting minutes do not reflect formal governing decisions.
- Governing Board was not approving major expenditures.
- Written Cal-SOAP procedures not developed.
- No written agreement between Consortium and site supervisors.
- Student specific information not documented.
- Non-educational site visits.
- Excessive cell phone usage.
- Cal-SOAP funds were not reconciled.
- Cal-SOAP travel reimbursements exceeded the Cal-SOAP Agreement allowances.
- No separation of duties.
- Cal-SOAP funds converted to scholarship.
- Actual in-kind match amounts were not documented.
- Reimbursement requests not submitted at least quarterly.
- Missing pertinent records.

BACKGROUND

Through Consortium compliance reviews, the administration of the Cal-SOAP program is evaluated to ensure program integrity with applicable laws, policies, contracts and Consortium agreements.

The following information, obtained from the Consortium and Commission database, is provided as background on the Consortium:

A. Consortium

- Type of Organization: Private, Non-profit
- Project Director (2001-02): Helen D. Hernandez
- Project Director (2002-03): Adriana Perez
- Board Chairperson(2001-02): Tim Durnin
- Board Chairperson(2002-03): Franky Curiel
- Fiscal Agent: Allan Hancock College
- Membership: UC Santa Barbara
CSU Fresno
California Polytechnic State University
Westmont College

AUDITOR'S REPORT (continued)

BACKGROUND (continued)

Allan Hancock College
Cuesta College
Paso Robles High School
Atascadero Unified School District
Paso Robles Joint Unified School District
Santa Maria Joint Union High School District
Lompoc Unified School District
Santa Maria Bonita School District-12
Guadalupe Union School District
Lucia Mar Unified School District
Boys and Girls Club of Santa Maria Valley
City of Santa Maria-Abel Maldonado Youth Center

B. Consortium Persons Contacted

- | | |
|-------------------|------------------------------|
| • Adriana Perez | Project Director |
| • Maria Legato | Assistant Director |
| • Franky Curiel | Board Chairperson |
| • Craig Wilde | Director, Business Services |
| • Annette Champan | Business Services Accountant |

C. Project Information

- | | |
|---|------------------------------------|
| • Date of Prior Commission | |
| Cal-SOAP Review: | None |
| • Branches: | None |
| • Cal-SOAP Program Services: | Tutorial Services |
| | PSAT and SAT Preparation Workshops |
| | Financial Aid Workshops |
| | Transfer: Making It Happen |
| | I'm Going to College |
| • Size of Student population in the service area: | 20,000 |
| • Number of Students Served | |
| General: | 20,000 |
| Intensive: | 4,550 |

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the Consortium adequately administered the Cal-SOAP program and that they are in compliance with applicable laws, policies, contracts and Consortium agreements.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Program Eligibility
- C. Administrative and Accounting Controls
- D. Completion of Reports
- E. File Maintenance and Records Retention

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that Cal-SOAP funds received by the Consortium are secure.
- Administration systems have adequate controls to ensure that Cal-SOAP payments are accurate, legal and proper.
Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluation of the current administrative procedures through interviews and reviews of records, forms and procedures.
- Evaluation of the current payment procedures through interviews and reviews of records, forms and procedures.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP student tutors within the review period.
- Reviewing of the records and payment transactions from a sample of Cal-SOAP expenditures within the review period.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Cal-SOAP funds were administered according to the applicable laws, policies, contracts and Consortium agreements. Accordingly, transactions were examined on a test basis to determine whether Cal-SOAP funds were expended in an eligible manner. The auditor considered the Consortium's management controls only to the extent necessary to plan the review.

The names and social security numbers of the sample of tutor student reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the student by name and social security number.

AUDITOR'S REPORT (continued)

CONCLUSION	In conclusion, except for the issues described in the Findings and Required Actions section of this report, the Consortium administrated the Commission Cal-SOAP program in accordance with the applicable laws, policies, contracts and Consortium agreements as they pertain to the Commissions Cal-SOAP program.
VIEWS OF RESPONSIBLE OFFICIALS	The review was discussed with agency representatives in an exit conference held on April 3, 2003.

April 3, 2003

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

A. GENERAL ELIGIBILITY:

FINDING 1: Cal-SOAP Executive Committee is Governing the Consortium

The Executive Committee is acting as the Central Coast Cal-SOAP Governing Board.

DISCUSSION:

California Education Code (CEC) 69561 states, "Each project shall be operated through a Consortium that involves at least one secondary school district office, at least one four-year college or university, at least one community college, and at least one of the following agencies: (1) a non-profit educational, counseling, or community agency. (2) A private vocational or technical school accredited by a national, state, or regional accrediting association recognized by the United States Department of Education. In addition, the governing board of each project is comprised of at least one representative from each participating Consortium institution".

The Central Coast Consortium By - Laws state, "**The Executive Committee shall be composed of the Governing Board, including At-Large members as selected by the Board.** The Executive Committee shall provide general direction to the Cal-SOAP Project. The Executive Committee will also articulate the needs, desires, and interests of the Governing Board concerning project activities, and monitor compliance with regulations governing the project. The Executive Committee shall develop and implement evaluation procedures for project activities. Decisions reached by this body by simple majority vote shall be submitted to the Governing Board for final ratification. Each member of the Executive Committee shall be entitled to one vote." According to the By-Laws, a member "At-Large" composition will include representatives of K-12, Local Educational Agencies (LEA's), and a representative of each identified county in the service area.

According to the current Project Director's research and from different responses she has received, the Executive Committee in 2001-02 award year was composed of the Chair, Co-Chair, Treasurer, Secretary, and Note Taker. Refer to Attachment A for listing of the member's names. The Executive Committee consists of five members and does not meet the requirement of the CEC 69561 to be a Governing Board.

During the review of the Executive Committee and Governing Board minutes it was noted that the Executive Committee makes the final decisions and the Governing Board does not ratify them. It appears that the Executive Committee is providing the governance of the Cal-SOAP Consortium. The Governing Board appears to be an advisory board for the Executive Committee. In addition, the Executive Committee did not have a member at Large as prescribed in the By-Laws. Therefore, the Central Coast Governing Board is not governing the Cal-SOAP project as required. The Project Director and staff may not be able to operate the program effectively and efficiently without direction and policies set by the Governing Board.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 2, page 9
Cal-SOAP Operations Handbook, 10/01, Sections 2.1 and 2.2
California Education Code, 69561 (b), prior 10/01
California Education Code, 69561(f) and (h), effective 10/01
Central Coast Consortium By-laws, Article IV, Section 10

REQUIRED ACTION:

The Consortium's Governing Board must include a representative from each participating institution in order to meet the Cal-SOAP Governing Board requirements in the California Education Code. The Governing Board must govern the operations of the Consortium. The Governing Board could delegate some of the responsibilities to the Executive Committee; however, the Governing Board must ratify or approve any decisions that are made that affect the Consortium.

INSTITUTION RESPONSE:

Currently, the executive board is made of the following representatives:

Participating Organization	Representative
Central Coast Cal-SOAP	Adriana Perez, Director
Guadalupe Union School District	Hugo Lara, Cal-SOAP Chair
Allan Hancock College	Elaine Healy, Cal-SOAP Treasurer
Paso Robles Joint Union School District	John Morse, Chair Elect and Member at Large, San Luis County
Santa-Maria Bonita School District	Phil Alvarado, Member at Large, N. Santa Barbara
Cuesta College	OPEN

Since September 2003, the executive committee has functioned in an advisory capacity for the governing board. The governing board makes the decisions for the consortium, therefore changes and authorizations must be approved by a quorum of the governing board. No significant changes or votes are counted without the approval of a quorum of governing board members at the scheduled Governing Board meetings.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

A. GENERAL
ELIGIBILITY:

FINDING 2: Consortium Board Meeting Minutes Do Not Reflect Formal Governing Decisions

According to board meeting minutes, there is no documentation that the board is a governing board making formal decisions for the project.

DISCUSSION:

The governing board of each project shall establish management policy, provide direction to the project, set priorities for budgetary decisions that reflect the specific needs of the project, and assume responsibility for securing the matching funds. A Consortium is expected to operate within regularly adopted By-Laws. The Consortium's By-Laws state, "The Executive Committee shall develop and implement evaluation procedures for project activities. Decisions reached by this body by simple majority vote shall be submitted to the Governing Board for final ratification. Each member of the Executive Committee shall be entitled to one vote." Furthermore, the business (voting) of the governing board shall be conducted under parliamentary procedures established by the Robert's Rule of Order. In order for the Governing Board to conduct official business on behalf of the Consortium, a quorum of the membership must be present. A quorum of the membership is defined as fifty percent of the Governing Board plus one. All matters submitted to a vote must be carried by a simple majority of a quorum of the voting members present. In the absence of a quorum, official Consortium business cannot be conducted. Proxy voting may be utilized by member institutions once each fiscal year and must be authorized in writing.

Moreover, meetings of the Consortium Governing Board shall be held at least once each quarter of the calendar year. The Board Chairperson is responsible for the scheduling of Consortium Governing Board meetings. The Executive Committee shall meet at least once during July and August and at least monthly from September to June.

In reviewing the Executive Committee and Governing Board minutes for award year 2001-02, it was revealed that the minutes do not accurately reflect all formal decisions made (i.e. Voting, approving of budgets, completing Annual Program Plan, and ratifying Executive Committee decisions by the Governing Board). The Consortium does not have all of the meeting minutes (Executive Committee and Governing Board). For example, Cal-SOAP Board meeting minutes for March 28, 2002; April 25, 2002; and July 11, 2002 are missing. Also, the Executive Committee did not have any record of minutes recorded for award year 2001-02. The first documented Executive Committee meeting minutes began on October 23, 2002.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 2, page 9
Cal-SOAP Operations Handbook, 10/01, Sections 2.1 and 2.2
California Education Code, 69561(b), prior 10/01
California Education Code, 69561 (h), effective 10/01
By-Laws, Article IV and V
Robert's Rules of Order

REQUIRED ACTION:

In response to this finding, the Consortium must provide a corrective action plan to ensure that all meetings are documented (i.e. members in attendance, date, summary of meeting, voting documentation and all formal decisions) in the form of written minutes and shall take place according to the Consortium's By-Laws.

INSTITUTION RESPONSE:

Following the program review in April 2003, Central Coast Cal-SOAP moved to adhere to Robert's Rules of Order beginning September 25, 2003. All management policy changes, program services, and all activities related to Cal-SOAP business are approved by the governing board in accordance with the Central Coast Cal-SOAP By-Laws. Secretary of the board assigns a Cal-SOAP staff person to prepare minutes, correspondence, and communications for Governing Board business, assuring minutes are received by governing board members prior to or at the next appointed executive or governing board meeting, and ensuring that such records are housed at the Cal-SOAP office. The minutes record all actions taken by the board. Central Coast Cal-SOAP By-Laws were updated and approved by a governing board quorum at a Cal-SOAP retreat on July 1, 2004.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

A. GENERAL ELIGIBILITY:

FINDING 3: Consortium Governing Board Was Not Approving Major Expenditures

The Consortium Governing Board was not formally approving project expenditures; the Project Director was approving all of the expenditures.

DISCUSSION:

The Commission expects projects to maintain basic fiscal and managerial controls to ensure proper expenditure of funds. Currently, the Project Director approves all

FINDINGS AND REQUIRED ACTIONS (continued)

expenditures. The Consortium Governing Board was not involved in the approval of project expenditures, except for the approval of the Consortium budget. The Governing Board is responsible for monitoring the operation of the Consortium; however, this goal cannot be attained without some type of reviewing and approving of expenditures. Expenditures made without the review and consent of the Governing Board may cause the project to exceed its budget or spend funds inappropriately.

REFERENCES:

Cal-SOAP Operations Handbook, 12/6/96, Section 5, pages 33 to 35
Cal-SOAP Operations Handbook, 10/01, Section 6 pages 9 to 13

REQUIRED ACTIONS:

The Governing Board indirectly approves of expenditure with their approval of the Consortium budget. However, to ensure fiscal integrity, the Governing Board should implement policies and procedures that document the level of approval required for expenditures (i.e. any expenditure over a pre-determined amount must be approved by the board).

INSTITUTION RESPONSE 1:

The governing board approves expenditures with their approval of the Annual Program Plan/consortium budget during the reapplication phase. Any changes in the expenditures plan is approved by the governing board and if needed, by the California Student Aid Commission.

Intended as a managerial tool, the treasurer with the assistance of the Cal-SOAP administrative staff provides a detailed breakdown of expenditures at each governing board meeting. Policies and Procedures Manual, Section 6.0, page 4 and Central Coast Cal-SOAP By-Laws Section 7, C, page 33.

AUDITOR REPLY 1:

The Commission expects projects to maintain basic fiscal and managerial controls to ensure proper expenditure of funds. The Governing Board is responsible for monitoring the operation of the Consortium; however, this goal cannot be attained without some type of reviewing and approving of expenditures by the board on a monthly or quarterly basis.

To ensure fiscal integrity, the Governing Board must be involved with reviewing and approving of the Consortium expenditures on a monthly or quarterly basis. Furthermore, policies and procedures that document the level of approval required for expenditures (i.e. any expenditure over a pre-determined amount must be approved by the board).

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE 2:

The Cal-SOAP Governing Board reviews and approves consortium expenditures on a quarterly basis. This is documented in the approved board minutes. Further, pre-determined expenditure amounts were indicated in the Central Coast Cal-SOAP By Laws under Article IV, Section 7. Duties of Officers: C. Secretary, page 33. Upon your request, additional clarification was included in Article IV, Governing Board Section I. Duties, page 32 and in the Central Coast Cal-SOAP Policies and Procedures Manual 2004-2005, page 3 (highlighted in red). "In addition, the Cal-SOAP Governing Board is responsible for approving all expenditures over \$5,001 (including all personnel and tutoring costs) via email or during a Governing Board meeting. The Executive Committee is responsible for approving all expenditures from \$1,001 to \$5,000 dollars via email or during an Executive Committee meeting." All changes were approved at the January 20, 2005 Governing Board meeting. Minutes for this meeting will be officially approved and available on March 3, 2005.

AUDITOR REPLY 2:

The Consortium's action is deemed acceptable.

A. GENERAL ELIGIBILITY:

FINDING 4: Written Cal-SOAP Procedures Not Developed

There are no written policies or procedures available at the Consortium to govern the administration of the Cal-SOAP operation.

DISCUSSION:

In order to measure performance of a Consortium it is necessary to analyze the adequacy and enforcement of established internal controls (procedures) for safeguarding the operational and fiscal integrity of the Cal-SOAP operation. A compliance review includes evaluating a Consortium's controls (procedures) and written policies. Central Coast Consortium did not have any written policy and procedures for the administration of the program.

REFERENCES:

Cal-SOAP Operations Handbook, 12/96, Sections 4, page 24
Cal-SOAP Operations Handbook, 12/96, Sections 5, pages 32 to 36
Cal-SOAP Operations Handbook, 10/01, Sections 5, page 4
Cal-SOAP Operations Handbook, 10/01, Sections 6, pages 7 to 13

REQUIRED ACTIONS:

The Consortium must develop written policies and procedures in order to safeguard the operational and fiscal integrity of the Cal-SOAP. Please submit the policies and procedures in the response.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

The Policies and Procedures Manual for 2004-2005 is attached.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

B. PROGRAM ELIGIBILITY:

FINDING 1: No Written Agreement Between Consortium and Site Supervisors

There is no written agreement between the Consortium and the Site Supervisors.

DISCUSSION:

According to the Application for Implementation site supervisors are paid in a stipend format typically in the amount of \$500.00. Site supervisors serve as advocates and liaisons to and for the Central Coast Cal-SOAP coordinating activities, accessing students and networking on behalf of Cal-SOAP with administrators, faculty and students at their respective campus.

All Cal-SOAP disbursements must be supported by appropriate accounting records. In our review, we noted that salary payments did not have complete supporting attendance records. A review of site supervisor records revealed only one site supervisor had a contract/agreement with the Consortium. Without an employment agreement defining the site supervisors' duties and responsibilities, the Project Director is unable to evaluate their work.

At a later date, the Consortium Project Director supplied the appropriate accounting records and a copy of the site supervisors' agreements.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 4, page 8

Cal-SOAP Operations Handbook, 10/01, Section 6, page 13

Cal-SOAP Compliance Review Guidance, November 30, 2001, page 6

Central Coast Cal-SOAP Consortium Application for Implementation, 2001-02, pages 13

REQUIRED ACTIONS:

The Consortium must develop policy and procedures that ensure all supporting documentation is available to support salary payments, including employment agreements, at the fiscal agent. Please submit the policies and procedures in the response.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

The Central Coast Cal-SOAP did have written agreements between the consortium and site-supervisors. At the time of the audit these were not provided, however, subsequently they have been sent to the Commission. The Central Coast Cal-SOAP is including site-coordinator responsibilities and reporting procedures in the set of written policies and procedures for the administration of the program referenced above. Policies and Procedures Manual, Section 13.3.1, page 12.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

B. PROGRAM ELIGIBILITY:

FINDING 2: Student Specific Information Not Documented

Central Coast Consortium is not maintaining student-specific information as required.

DISCUSSION:

The current Cal-SOAP law calls for each project to maintain a comprehensive student-specific information system on students receiving services through the program in grades 11 and 12 at secondary schools within the participating districts. The system should provide information to supporting institutions in their outreach to a project's target population, and provide a database for evaluations by the project and the Commission. Although the law calls for the system to supply information on only 11th and 12th grade students, if the system is to be effective, it must include information on all pupils served, those below the 11th grade, as well as community college students involved in transfer programs. This information shall be maintained in a manner consistent with the law relating to pupil records. Each project has been given a standardized Student Database to collect certain data for recipient of the Cal-SOAP activities.

According to the Application for Implementation 2001-02 under STUDENT INFORMATION/TRACKING SYSTEM it states, "The creation of a student information/tracking system is essential in determining the success of the numerous Cal-SOAP activities. Cal-SOAP will need to maintain adequate and updated data on the student it serves. Students participating in Cal-SOAP sponsored events will be requested to complete and submit an enrollment data sheet including pertinent individual data. The information will be incorporated in a main student database. The information will be used to account for students served and contacted throughout the school year by location and event. The data will be available to all Consortium members. Additionally, the system will serve as an accounting mechanism to support the expenditure of Cal-SOAP funds. The project will also be able to complete state forms in a timely manner and extract necessary data as needed. A careful review of the Cal-SOAP 'Data Tracking and a Reporting System' was conducted per CSAC recommendations and a commitment was secured to retain the services of KNH consulting services to establish a student record system and database."

FINDINGS AND REQUIRED ACTIONS (continued)

The Consortium does not maintain within the project headquarters a comprehensive student-specific information system on students receiving services through the program at the participating institutions. During the review the Consortium was unable to provide a listing of the students receiving services through the Cal-SOAP. According to the response to the survey, the Consortium stated the number of students served intensively was 20,000 (general) and 4,500 (intensive). There was no evidence (i.e. a listing of students' names) to support that Cal-SOAP recipients received tutoring services. In addition, there was no tracking of students participating in the Cal-SOAP intensive activities, such as a list of students taking the SAT test, field trips to site schools, or students who are tutored.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 3
Cal-SOAP Operations Handbook, 12/6/96, Section 3
California Education Code, 69561 (c) (II), prior 10/01
California Education Code, 69561(k), effective 10/01
Central Coast Cal-SOAP Consortium Application for Implementation, 2001-02, pages 2, 19, 32

REQUIRED ACTION:

The Consortium is required to develop and maintain a comprehensive student-specific information system on students receiving intensive services through the Cal-SOAP activities. In addition, the Central Coast must develop policy and procedures that will be implemented to assure student-specific information for the Cal-SOAP recipients receiving intensive services will be maintained in the response to this report. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE:

During fiscal year 2003-2004, the consortium secured the state recommended services of KNH Consulting to establish a database system that permits the development and maintenance of student information, accounting data, and the ability to complete state forms as required by the California Student Aid Commission (CSAC). The database is fully utilized and the Central Coast Cal-SOAP will implement the use of scantron forms during the 2004-2005 fiscal year.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

C. ADMINISTRATIVE
& ACCOUNTING
CONTROLS:

FINDING 1: Non-Educational Site Visits

Cal-SOAP funds were expended on visits to non-educational sites.

DISCUSSION:

Cal-SOAP is dedicated to accomplishing the following goals:

- Increase the availability of information to students about postsecondary education opportunities; and
- Raise the achievement levels of students in order to expand the number of high school graduates eligible to pursue postsecondary education

With the Cal-SOAP goals in mind the following are some of the objectives of the Cal-SOAP activities:

- Encouraging and organizing visitations of college representatives to high school and community college campuses.
- Sponsoring or actively participating in area meetings for the purpose of bringing together college representatives and interested students.
- Providing workshops to train college students to work with target students, whether or not such students are actual employees of a Cal-SOAP project.
- Organizing career workshops for target students, involving business and professional people as well as representatives of educational institutions.
- Taking the lead in developing and distributing publications to which many postsecondary institutions and other interested agencies contribute.
- Organizing visits by students to various college campuses.
- Promoting area-wide meetings of parents of target students to which colleges are invited to send representatives.
- Participating in outreach events sponsored by other programs. Coordinating workshops in collaboration with other outreach programs.

By accepting program funds, the Consortium acknowledges that funds are to be expended in accordance with the applicable state and federal rules and regulations, and in accordance with operating principles and procedures developed by the California Student Aid Commission.

The Consortium's 2001-02 Application for Implementation reported that the following colleges were going to be visited for the award year:

- Allan Hancock College
- Cuesta College

FINDINGS AND REQUIRED ACTIONS (continued)

- Westmont College
- University of California at Santa Barbara
- Cal Poly San Luis Obispo
- California State University at Fresno

Through our review of the expenditure ledgers and information supplied by the Consortium, we noted several institutional site visits that were not included in the Institutional List outlined in the Application for Implementation. It is the intention that the Application for Implementation is an operational plan by the Consortium or that award year. If changes are made to this plan it should be discussed with and approved by the Commission.

The documentation provided by the Consortium and its Fiscal Agent was the Account Director's Summary Report and Purchase Orders (PO), which only shows "campus visit," but does not list the actual campus or destination. Additionally, during the site visit no receipts or invoices were provided for these expenditures.

In addition, our review also disclosed that the Consortium paid for a site visit that was to a non-educational site.

Universal Studios (6/22/02)	
Bus	\$ 948.00
Meal ticket for 38 students	<u>266.00</u>
TOTAL NON-EDUCATIONAL VISITS	\$1,214.00

Visits to non-educational sites do not meet the intent of the program and are deemed ineligible.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, pages 2 to 4
Central Coast Cal-SOAP Application for Implementation 2001-02, College Visitations

REQUIRED ACTION:

The Consortium must pay the ineligible funds of **\$1,214.00** to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report. The Consortium must also provide policies and procedures to ensure funds are used in accordance with their approved Annual Program Plan. Please submit the policies and procedures in the response

Since there was no detailed evidence provided by the Consortium or its Fiscal Agent to document their visits, a portfolio review of Cal-SOAP field trips and food supplies for award year 2001-02 to the present must be performed by the Consortium and fiscal agent. The following information must be provided in spreadsheet format and include **all** supporting receipts/invoice, for each account expenditure, in response to this issue:

FINDINGS AND REQUIRED ACTIONS (continued)

- Account 64900006-4640 (Cal-SOAP - Field Trips) for award year 2001-02 expended \$2,699.75
- Account 64900006-4710 (Cal-SOAP - Food Supplies) for award year 2001-02 expended \$341.86
- Account 64900007-4640 (Program Service to School Site - Field Trips) for award year 2001-02 expended \$13,808.22
- Account 64900007-4710 (Program Service to School Site - Food Supplies) for award year 2001-02 expended \$4,249.01
- Date of Field Trip
- Date of Food Supplies
- Site Visit Name and Location
- Amount spent on Bus, Entrance Fee, Food Supply Cost Associated with the Field Trip

Please include an attestation dated and signed by the responsible parties (Fiscal Agent, Board Chair, and Project Director) indicating the validity and accuracy of the portfolio data.

If there are any field trips to non-educational sites, the funds associated with these visits must also be returned to the Commission using the repayment instructions provided at the end of this report.

In addition, to ensure fiscal integrity, the Consortium must develop and implement policies and procedures that document how and where visits to colleges are conducted and reported on the Annual Program Plan. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE 1:

We have clarified the definition of an education site visit in the 2004-2005 Annual Program Plan. In addition, site-coordinators and their immediate supervisors are required to sign a written agreement that non-educational site visits to nonpartnership schools will not be funded by Cal- SOAP. Further details are available in the Policies and Procedures Manual, Section 13.5, page 13. Portfolio review was completed and detailed is attached. It was determined that \$8,614.26 must be reimbursed to the California Student Aid Commission.

AUDITOR REPLY 1:

The institution returned the amount of \$8,614.26 via check number 01864156 dated 9/15/04 and policies and procedures. The Consortium portfolio review covered the 2001-02 award year and not to the present (2002-03 and 2003-04) as required. Moreover, the portfolio review was not signed by the responsible parties. During the on-site review, March 2003, it was disclosed by the Project Director that non-educational site visits took place during that current award year 2002-03.

FINDINGS AND REQUIRED ACTIONS (continued)

Since there was no detailed evidence provided by the Consortium or its Fiscal Agent to document these visits, a portfolio review of Cal-SOAP field trips and food supplies for the award years 2002-03 and 2003-04 must be performed by the Consortium and fiscal agent.

Please include an attestation dated and signed by the responsible parties (Fiscal Agent, Board Chair, and Project Director) indicating the validity and accuracy of the portfolio data.

If there are any field trips to non-educational sites, the funds associated with these visits must also be returned to the Commission using the repayment instructions provided at the end of this report.

INSTITUTION RESPONSE 2:

A portfolio review of budget codes 64900006-4640 (Field Trips) and 64900006-4710 (Food Supplies) is attached for your review. We have provided all supporting receipts/invoices for each expenditure except for college tours dated March 28, 2003 by Lompoc Unified School District; April 1, 2003 and February 15, 2004 by Lucia Mar Unified School District. Supporting documentation is being retrieved and will be submitted to your office as soon as possible.

AUDITOR REPLY 2:

The institution submitted the portfolio reviews and attestations. The Consortium's actions are deemed acceptable. **However, the majority of the documentation provided is missing the receipts (supporting records). The Consortium and its Fiscal Agent are not retaining and/or obtaining appropriate supporting records for the Cal-SOAP transactions/expenditures. This is a reminder and a warning that the Consortium and the Fiscal Agent must obtain appropriate supporting records; otherwise, in the next review, transactions/expenditures without appropriate supporting records will be deemed ineligible.**

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 2: Excessive Cell Phone Usage

Inappropriate usage of the Project Directors Cal-SOAP cell phone.

DISCUSSION:

Monitoring includes the policies and procedures that ensure that all expenditures on behalf of the Cal-SOAP activities are in compliance with the Cal-SOAP Law and requirements of the Commission. The responsibility for program compliance rests primarily with the Governing Board and its delegation of certain responsibilities to the Project Director. The fiscal agent also plays an integral role in this process.

FINDINGS AND REQUIRED ACTIONS (continued)

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effect of employees charging time to the program.

The former Project Director (award year 2001-02) had excessive usage of the program's cell phone which was not related to Cal-SOAP. In reviewing the highest cell phone bill in the amount of \$720.96 for the month of January 2002, it was revealed that several of the excessive charges were made to the Project Director's home phone number. Cal-SOAP funds paid for these unrelated charges to the program.

Currently, the Consortium has implemented a new plan for cell phone usage. The Project Director and Assistant Director currently have a \$50 per month restriction allowance. If the individual goes over the allowance they have to pay the difference.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 4

Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 4-5

REQUIRED ACTION:

The Consortium must submit in writing the policies and procedures now in place to ensure that cell phone expenditures are reviewed and approved in order to safeguard and monitor the program funds. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE:

The board approved a fixed value for phone reimbursement to prevent excessive phone usage. Any expense over that allowance will not be paid with Cal-SOAP funds, unless it is approved by the governing board. Refer to the Central Coast Cal-SOAP's Policies and Procedures Manual for further details. Policies and Procedures Manual, Section 6.0, page 4.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

C. ADMINISTRATIVE & ACCOUNTING CONTROLS: **FINDING 3: Cal-SOAP Funds Were Not Reconciled**

A review of the Consortium's fiscal documents revealed that Cal-SOAP funds were not reconciled.

DISCUSSION:

The Commission expects projects to maintain adequate fiscal and managerial controls to ensure proper expenditures of state appropriations. No state-apportioned funds may be carried over from one fiscal year to the next. Any unused funds at the end of the fiscal year must be returned to the Commission.

A reconciliation of the Budget Report-Final Report 2001-02 disclosed an unused balance. The Fiscal Agent and Project Director were not reconciling properly. The Consortium had unexpended funds of \$5.00 (CSAC reimbursement \$242,854 less Consortium expenditure of \$242,849). The Consortium did not report actual expenditures to the Commission for reimbursement.

REFERENCES:

Cal-SOAP Operations Handbook, 12/96, Section 4, pages 24-25
Cal-SOAP Operations Handbook, 10/01, Section 4
Cal-SOAP Compliance Review Guidance, November 30, 2001, page 6

REQUIRED ACTION:

The Consortium must return the undisbursed funds of **\$5.00** to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report. Additionally, the Consortium must submit the procedures that will be implemented to ensure that all reimbursements requested are expended during the appropriate fiscal/contract year and any unused Cal-SOAP funds are returned to the Commission.

INSTITUTION RESPONSE:

Payment in the amount of \$5.00 will be reimbursed to the Commission. Refer to the Central Coast Cal-SOAP's Policies and Procedures Manual, Section 12.1, page 10.

AUDITOR REPLY:

The institution returned the amount of \$5.00 via check number 473308 dated 5/6/04 and submitted policies and procedures. The Consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

C. ADMINISTRATIVE & ACCOUNTING CONTROLS: **FINDING 4: Cal-SOAP Travel Reimbursements Exceeded the Cal-SOAP Agreement Allowances**

A review of travel reimbursement policies and claims revealed that Cal-SOAP travel mileage was reimbursed at higher rates than the allowances in the Cal-SOAP Agreement.

DISCUSSION:

The Travel and Per Diem Schedule rates per the Cal-SOAP Agreement are as follows:

- lodging up to \$84.00 plus tax, with receipt (lodging costs that exceed \$84 require advance approval by the State Contract Manager);
- breakfast, up to \$6.00;
- lunch, up to \$10.00;
- dinner, up to \$18.00;
- incidentals, up to \$6.00; and
- mileage, .31 cents per mile.

Time Frames-Less Than 24-Hour

For continuous travel of less than 24 hours, the employee will be reimbursed for actual expenses up to the maximum as follows:

Breakfast: Leave at or before 0600 (6:00am)
 Return at or after 0900 (9:00 am)

Lunch **No reimbursement allowed**

Dinner Leave at or before 1600 (4:00 pm)
 Return at or after 1900 (7:00 pm)

In comparing the above approved rates and the Consortium rates the following discrepancies were noted:

- hotel accommodations exceeded \$84 rate, and per diem was paid incorrectly for travel of less than 24 hour periods (day trip pays breakfast, lunch and dinner) as long as the travel begins before 7:00 am and ends after 7:00 pm.
- mileage rate at .345 cents per mile
- expenses exceeding these allowances are not reimbursable from Cal-SOAP funds.

Moreover, it was observed that Allan Hancock College District Expense Claim Voucher form does not reflect time on the travel claim form. It is recommend that the Fiscal Agent incorporate the time in order to determine the appropriate per diem for each travel claim submitted.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Cal-SOAP Agreement (G-01-015), Section 6.D, pages 3 and 4

Cal-SOAP Agreement (G-01-015), Attachment 5, Section a (2), b (2) (3), and d

REQUIRED ACTION:

The Consortium may only claim the travel and mileage reimbursement from the Commission at the rate approved in the Cal-SOAP Agreement. Any excess travel expenses must be reimbursed with other funds. In the response, please provide the Commission a copy of the process that will be implemented to comply with Cal-SOAP Agreement travel rates.

INSTITUTION RESPONSE:

Central Coast Cal-SOAP's Policies and Procedures Manual, Section 10.0, pages 8-9 outlines the process being implemented to comply with Cal-SOAP agreement travel rates.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 5: No Separation of Duties

A review of the Consortium's internal fiscal controls revealed that there was no fiscal separation of duties.

DISCUSSION:

Separation of duties is essential in preventing errors and potential fraud. The areas where duties should be separated include the custody of assets, authorization and disbursement, record-keeping and electronic data processing duties.

The following controls are listed in the Cal-SOAP Operations Handbook to assist consortia in the administration of the program:

Internal Fiscal Controls:

- The following is a list of suggested internal fiscal controls for management to ensure that Cal-SOAP funds are safeguarded from unauthorized use.
- Cash Receipts
- Documentation of internal controls is maintained.

FINDINGS AND REQUIRED ACTIONS (continued)

Adequate separation of duties exists over the cash receipts function.

- On-site facilities are adequate for safeguarding cash and other valuables.
- Cash items are adequately controlled upon receipt.
- Procedures exist to ensure all collections are deposited intact
- The project is collecting all receipts according to state laws and regulations.
- Cash receipt transactions are correctly recorded in the accounting records, and reconciliations of subsidiary balances to control totals are performed on a regular basis.

Fiscal Compliance Monitoring:

Monitoring includes the policies and procedures that ensure that all expenditures are in compliance with the Cal-SOAP Law and Requirements of the Commission. The responsibility for program compliance rests primarily with the Governing Board and its delegation of certain responsibilities to the Project Director. The Fiscal Agent also plays an integral role in this process.

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effort of employees charging time to program.

Personnel/Payroll:

- Documentation of internal control is maintained
- Adequate separation of duties exists over the personnel/payroll function.
- Attendance records support all salary payments.
- Employee leave records are properly maintained.
- Employee appointments and separations are proper and adequately supported.
- Fiscal Agent procedures provide adequate control over undeliverable salary checks or warrants.

FINDINGS AND REQUIRED ACTIONS (continued)

The review noted the following areas where appropriate internal controls were not followed:

- Cal-SOAP funds were used to purchase advertising space (one-fourth of a page) for sponsoring the Santa Maria High School Basketball Program 2001/02 in the amount of \$65.00. The Project Director sponsored Student No. 1 who attended Santa Maria High School and was a player for the basketball team, which in turn was the Project Director's daughter. This is a conflict of interest for the Project Director (mother) to sponsor a fundraiser for her daughter with Cal-SOAP funds. Also, the Project Director authorized the expenditure and approved the requisition/payment.
- The Project Director **authorized** the requisition and **approved** the payment (04/24/02) for 82 box lunches from FRESH & NATURAL Café, LLC in the amount of \$395.75, for an activity I'M GOING TO COLLEGE PROGRAM.
- Student No.1, a high school student, was a Special Project Assistant for the Cal-SOAP program working at Santa Maria High School. Based on the time sheets, the student rendered services as a tutor/peer advisor. Note, Cal-SOAP law states, "the students employed as advisors and tutors **must be enrolled in a college or other postsecondary school and demonstrate financial need**." Although a high school student may be enrolled in college, s/he is not eligible to be a Cal-SOAP tutor. Cal-SOAP tutors must have financial aid need (i.e., applied and receiving student financial aid for college)." Thus, Student No. 1 was paid \$1,426.08 (140.5 hours worked x \$10.15 per hour) and was not an eligible Cal-SOAP tutor; therefore, funds in the amount of **\$1,426.08** are deemed ineligible. Also it was noted that the Site Supervisor did not sign the time sheet; the Project Director (mother of the tutor) approved the time sheet. Once again this is a conflict of interest for the Project Director (mother) to hire her daughter as a Cal-SOAP Special Project Assistant, and for the Project Director to authorize the expenditure and approved payroll for her daughter.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, pages 1 to7
Cal-SOAP Operations Handbook, 10/01, Section 4, page 8
Cal-SOAP Operations Handbook, 10/01, Section 6, pages 7 to 13
Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 3 to 7

REQUIRED ACTION:

Since Student No. 1 did not meet the requirements for a Cal-SOAP employed advisor/tutor, the amount of **\$1,426.08** is deemed ineligible and due to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report.

FINDINGS AND REQUIRED ACTIONS (continued)

The Consortium in conjunction with the Fiscal Agent must create or strengthen their basic fiscal internal controls to ensure that funds are being used appropriately and avoid conflict of interest situations. The Consortium must provide the policies and procedures that will be implemented to address proper separation of fiscal duties and the issue of conflict of interest. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE:

Addressed in the Central Coast Cal-SOAP's Policies and Procedures Manual, Section 7.0, page 4-5.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

C. ADMINISTRATIVE & ACCOUNTING CONTROLS:

FINDING 6: Cal-SOAP Funds Converted to a Scholarship

Cal-SOAP funds were inappropriately converted to scholarship.

DISCUSSION:

In reviewing the Account Director's Summary it was discovered that on 03/30/02 in fund account number 64900007-7410 Cal-SOAP Program Services Student Activities, Cal-SOAP funds in the amount of \$5,000.00 were transferred to Migrant Education Teacher Program (METP) for scholarships. The only documentation provided was a scratch sheet of paper, which informally stated the following:

- Migrant Education Teacher Program (Scholarship/Stipend) 02-12-02 Stipend will cover: mileage, book cost, tuition
- March 18 deadline for application turn in
- May announcement of winner
- \$5,000, 39 students in class
- 15 stipends at \$340
- Criteria: 9-12 units, low income need, meet income requirements prescribed by CSAC
- Participant in pre-collegiate program disadvantaged criteria
- GPA 2.5

At the time of the audit field work, the Consortium and Fiscal Agent were unable to confirm that the funds were actually paid to the scholarship recipients. Additionally, expending of Cal-SOAP funds for scholarships was **not disclosed nor amended** in the 2001-02 Central Coast Cal-SOAP Application for Implementation. As discussed in the Cal-SOAP Consortia Site Visit Results Report dated November 2001, scholarships were discussed and considered a gift of state funds and not an eligible Cal-SOAP Expenditure. Moreover, the intention of the program is to achieve effective student outreach and academic preparation; student scholarships do not fall within these parameters.

FINDINGS AND REQUIRED ACTIONS (continued)

At a later date the Consortium Project Director supplied documentation detailing the student information following:

- Student Information
- METP Stipend Application
- Financial Eligibility
- Transcripts
- Letter of Recommendation
- Personal Statement
- Copy of Cancelled Check and payment documentation

This additional detail identified eleven students that received a METP stipend ranging from \$250.00 to \$500.00. The total amount of funds disbursed to the eleven students totaled \$4,800.00. This leaves an unexpended amount of \$200.00 in the METP fund attributable to Cal-SOAP funds.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 1.2, page 2
Cal-SOAP Operations Handbook, 10/01, Section 2, page 2
Central Coast Cal-SOAP Application for Implementation 2001-02
Cal-SOAP Consortia Site Visit Results Report dated November 2001 page 17

REQUIRED ACTION:

Central Coast Consortium must repay the unexpended METP stipend funds of **\$200.00** to the Commission. Please submit payment as directed in the general repayment instructions located at the conclusion of this report.

In the future, the Consortium must disclose any amendments to the Commission and first seek approval prior to implementing a program. Furthermore, Cal-SOAP funds cannot be used to fund scholarships since this is not the intention of the program.

INSTITUTION RESPONSE:

Central Coast Cal-SOAP will reimburse the Commission \$200.00. Scholarships will not be utilized at any time in the future. Policies and Procedures Manual Section 6.0, page 4.

AUDITOR REPLY:

The institution returned the amount of \$200.00 via check number 473308 dated 5/6/04 and submitted policies and procedures. The Consortium's action is deemed acceptable.

FINDINGS AND REQUIRED ACTIONS (continued)

D. COMPLETION OF REPORTS:

FINDING 1: Actual In-Kind Match Amounts Were Not Documented

A review of five Consortium members' in-kind match amounts revealed the institutions did not have proper documentation.

DISCUSSION:

State law requires a matching contribution of local resources for each Cal-SOAP project at a 1:1 ratio. The goal, however, is for the projects to exceed the 1:1 ratio and attain a 1:1.5 ratio. Each Consortium, through its Director, is expected to systematically account for the receipt and expenditure of matching funds provided by supporting institutions. The expenditure of matching funds constitutes an integral part of each project's operation and its fiscal reporting to the Commission. "In-kind" funds, which are not included in a project's expenditure budget, are to be accounted for in a reasonable manner and reported to the Commission.

Currently, supporting institutions are not fully documenting their in-kind contributions which are reported to the Consortium. The members did not realize in what detail they needed to provide and document actual amounts. Because actual amounts are not being reported, the Consortium does not know the actual in-kind ratio and may be receiving more than the required 1:1 ratio. We sampled four Consortium members for their calculation of the in-kind match. As this matter was discussed with these four Consortium members, it appeared that the actual in-kind match was higher than the budgeted amounts that were reported to the Commission. The Consortium was not maximizing the matching funds of their supporting institutions (progressing to reach the 1:1.5 ratio) and not accurately reporting the amount of those matching funds to the Commission.

REFERENCES:

California Education Code 69564
Cal-SOAP Operations Handbook, 12/6/96, Section 4, page 22 & 24
Cal-SOAP Operations Handbook, 10/01, Section 2 pages 2 to 4

REQUIRED ACTIONS:

The Consortium must create a method of **tracking** and **documenting** the actual in-kind match amounts supplied by the institutions. This match amount is subsequently reported to the Commission. If it appears reasonable, the institutions may use a time study where all in-kind costs are tracked for a reasonable period or periods of time and extrapolated over the year to determine their actual in-kind match for the award year. In addition, the Consortium must submit the policy and procedures that will be implemented to track and document the actual in-kind match amounts.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

Immediately following the audit in April 2003, the Cal-SOAP project director arranged to have consortium members who were also board members at Santa Barbara's Cal-SOAP project to provide Form B/in-kind report training at a governing board meeting. In addition, CSAC's sample in-kind form provided in January 2003 was distributed to each consortium member and training was provided to adequately document forms. Consortium members were also required to meet with site-coordinators to verify and document time and effort/activities to reflect more accurate reports. Policies and Procedure Manual, Section 14.0, page 13-14.

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

D. COMPLETION OF REPORTS:

FINDING 2: Reimbursement Requests Not Submitted At Least Quarterly

A review of the Cal-SOAP funds revealed that the reimbursement requests were not submitted to the Commission on a quarterly basis.

DISCUSSION:

The Cal-SOAP agreement states the grantee will submit Reimbursement Requests quarterly, in arrears, unless special arrangements are approved. All Reimbursement Requests shall be prepared and submitted in accordance with authorized expenditures for actual expenses incurred. In addition, according to the By-Laws, the Fiscal Agent shall be responsible fiscally for the Cal-SOAP project and will submit required reports to the Commission.

For award year 2001-02 Central Coast Consortium submitted their first and second quarter reimbursements on February 13, 2002. According to pay schedule the third quarter was turned in May 2002. The fourth quarter (final) was submitted in October 2002.

REFERENCES:

Cal-SOAP Agreement (G-01-015), Section 6.D, pages 3 to 4
Cal-SOAP Operations Handbook, 12/96, Section 4, pages 24 to 25
Cal-SOAP Operations Handbook, 10/01, Sections 4 and 5
Cal-SOAP Operations Handbook, Section 5
Cal-SOAP Operations Handbook, 10/01 Appendix B, Calendar
Central Coast Consortium By-Laws, Article VI

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTIONS:

The Director of Fiscal Services (Fiscal Agent) and the Project Director should work together to ensure the reconciliation and reporting of Cal-SOAP funds are done on a quarterly basis to the Commission.

Additionally, the Consortium must provide written procedures and internal control measures that will be implemented to ensure that the institution reconciles its records as required by the Cal-SOAP Agreement and the Central Coast Consortium By-Laws. The procedures must include time frames, staff titles, and specific areas of responsibilities as it relates to the Cal-SOAP reconciliation. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE:

Since August 2002, when the current Cal-SOAP director was hired, all quarterly reports have been submitted on time. The policies and procedures manual contains timelines, staff titles, and specific areas of responsibility for quarterly reporting in section 15.1, page 14. "To ensure accuracy of all Cal-SOAP reports and expenditures, in-kind/match Form B reports will be collected from consortia members at the end of the quarter report due date. Consortium members are reminded of due reports via email and provided two weeks of cross referenced with the fiscal agent's bi-tech accounting program to ensure discrepancies are corrected. If reports match, appropriate signatures are retrieved to complete the reports."

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

E. RECORD RETENTION AND FILE MAINTENANCE:

FINDING : **Missing Pertinent Records**

The Consortium and Fiscal Agent did not retain all pertinent accounting records.

DISCUSSION:

All Cal-SOAP transaction must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices. Appropriate accounting records includes, but are not limited to, cash receipts, disbursement journals, bank reconciliations, and all other accounting records necessary to account for all transactions.

The following controls are listed in the Cal-SOAP Operations Handbook to assist consortia in the administration of the program:

FINDINGS AND REQUIRED ACTIONS (continued)

File Maintenance and Records Retention:

Records must be available upon request: records relative to the Cal-SOAP program must be retained for three (3) years following the last reimbursement; and records must be maintained to fully document the accuracy of the costs represented in the reimbursement requests.

Fiscal Compliance Monitoring:

Monitoring includes the policies and procedures that ensure that all expenditures on behalf of the Cal-SOAP program are in compliance with the Cal-SOAP Law and Requirements of the Commission. The responsibility for program compliance rests primarily with the governing board and its delegation of certain responsibilities to the project director. The fiscal agent also plays an integral role in this process.

Compliance Monitoring Includes:

- Authorization of purchase requisitions/orders by persons with a sufficient knowledge of the Cal-SOAP Law to determine that the transaction is in compliance with the Law.
- Authorization of personnel actions by persons with sufficient knowledge of the Law and requirements to determine compliance.
- Periodic monitoring of expenditure reports for validity of charges.
- Reviewing the time and effort of employees charging time to program.

Cash Disbursements:

- Documentation of internal control is maintained.
- Adequate separation of duties exists over the disbursements function.
- Updated authorizations are maintained.
- Bank reconciliations are prepared and reviewed monthly.
- Procedures exist for proper reconciliation of bank accounts.
- Blank checks and check-signing machines are safeguarded from unauthorized use.
- Full accountability of check stock is maintained.
- Cash disbursements are properly substantiated and documented.
- Cash disbursements are properly recorded in the accounting records.

Personnel/Payroll:

- Documentation of internal control is maintained
- Adequate separation of duties exists over the personnel/payroll function.
- Attendance records support all salary payments.
- Employee leave records are properly maintained.

FINDINGS AND REQUIRED ACTIONS (continued)

- Employee appointments and separations are proper and adequately supported.
- Fiscal Agent procedures provide adequate control over undeliverable salary checks or warrants.

The review noted the following examples where all pertinent accounting records were not retained (receipts/invoices):

- The verification of the equipment inventory revealed that not all Cal-SOAP equipment was identified as property of the State of California. In the review of 2001-02 expenditures it was discovered that there were equipment purchases over \$50.00 that were not reflected on the Consortium's equipment list. All Cal-SOAP property is required to be identified as State of California property (i.e. tables, chairs, copiers, etc.)
- Not all travel reimbursement claims had supporting documentation justifying the costs incurred, such as, hotel receipts. For instance, travel claim under account 64900006-5210 dated 10/31/01 Primary Reference 10/3-5/01 in the amount of \$176.09 does not have a receipt for the hotel stay of \$85.00. Another travel claim in account 64900006-5220 dated 05/01/02 Primary Reference 2/06-2/08/02 in the amount of \$197.61 does not have a receipt for the hotel stay of \$95.00.
- Cal-SOAP Program Specialist/ Tutor – Student No. 1's time sheet for the month of January-February 2002 for 19 hours is missing.
- Several expenditures of the Consortium do not have back up documentation such as receipts/invoices to justify payment (i.e. phone bills, purchases of supplies, and food). There were only two cell phone bills, which were provided, dated December 22, 2001 and February 22, 2001. In addition, purchase order 023372 dated 04/03/02 in the amount of \$1,500 had an invoice attached detailing the expenditures, however, there were no accompanying receipts.

The Consortium and its Fiscal Agent are not retaining and/or obtaining appropriate supporting records for the Cal-SOAP transactions/expenditures.

REFERENCES:

Cal-SOAP Operations Handbook, 10/01, Section 2, page 2
Cal-SOAP Operations Handbook, 10/01, Section 6, page 6
Cal-SOAP Agreement (G-01-015), Section 7, pages 4 and 5
Cal-SOAP Compliance Review Guidance, November 30, 2001, pages 3 to 6

FINDINGS AND REQUIRED ACTIONS (continued)

REQUIRED ACTION:

The Consortium and its Fiscal Agent must retain all necessary supporting records to account for all transactions charged to the program.

In addition, all equipment purchased using state funds, under the terms of this agreement, shall be identified with an appropriate state identification tag and the brand name, cost, date of purchase, identification/serial number, etc., listed on an Equipment Inventory Report. Additionally, this report must be provided to the Commission whenever additional equipment is purchased or equipment is disposed.

Moreover, Central Coast Consortium must provide policy and procedures to ensure that all accounting transactions must maintain records to fully document the cost and retain for a period of three years following the last reimbursement. Please submit the policies and procedures in the response.

INSTITUTION RESPONSE:

All equipment has been tagged and information on new equipment purchased has been and will continue to be submitted to the commission in a timely manner. Refer to the Central Coast Cal- SOAP's Policies and Procedures Manual, Section 15.2, page 14. "The fiscal agent's Business Services Office shall retain records for all Cal-SOAP expenditures, with original receipts and back-up documentation, for a period of three (3) years following the last reimbursement of a fiscal year."

AUDITOR REPLY:

The Consortium's action is deemed acceptable.

OBSERVATIONS AND RECOMMENDATIONS

- G. OBSERVATION AND RECOMMENDATION: The following are observations and recommendations based upon our review of the institution's policies and procedures and the condition of the institution's records.

OBSERVATION 1: Food Provided for Cal-SOAP Related Meetings

It came to our attention that food was provided for Cal-SOAP related meetings and tutor training sessions, etc. During the site reviewed it was expressed that the Governing Board and Executive Committee requires that food be served at every meeting.

RECOMMENDATION:

The intent of the program is to increase the availability of information on the existence of postsecondary education and to raise the achievement levels of Cal-SOAP eligible students. With the limited amount of Cal-SOAP funds the purchase of food for Cal-SOAP functions that is not directly related to student activities is questionable. In the new contract for the 2003-04 fiscal year the Commission has restricted the purchase of food for only Cal-SOAP eligible students at Cal-SOAP functions.

OBSERVATION 2: No Advertisement and Literature of Cal-SOAP

It was observed in our review that there is no literature and or advertisement of services provided by CENTRAL COAST CONSORTIUM. We were unable to answer these questions: How is the Consortium promoting CAL-SOAP? What type of information (publication) is disseminated to interested students/parents about the mission and purpose of CENTRAL COAST CONSORTIUM? On the publication does it state how to qualify for CAL-SOAP, whom to contact, what services are provided, the mission and purpose of CAL-SOAP. **Basically, there are no publications regarding the services Central Coast Cal-SOAP provides to the region.**

RECOMMENDATION:

It is recommended that the Central Coast Consortium advertise and develop literature to promote outreach for the CAL-SOAP program within their jurisdiction.

OBSERVATION 3: Incomplete Web Page

It was observed that the Consortium started a website that was never implemented. The Consortium paid the consultant Katz & Mouse for Web development of Central Coast Cal-SOAP, which included site design, site architecture and programming of all web pages associated with web site in the amount of \$3,000. In addition, the Consortium rented office space at Lucia Mar Unified School District for the project at \$200 per month. The Consortium paid a total of \$1,000 for the rental space. In essence, Central Coast Consortium paid a

OBSERVATIONS AND RECOMMENDATIONS (continued)

total of \$4,000 for this web page and during the review the Consortium stated that the web page was never established and the work completed by the contractor was stored on a CD disc.

RECOMMENDATION:

It is recommended that the Consortium carefully evaluate each area where funds are going to be expended. With a limited amount of Cal-SOAP funds, the project needs to evaluate each service it is supplying, the related benefits to the students they service and if need be enlist the expertise of its Consortium members.

ATTACHMENT A - STUDENT SAMPLE
